

# Bulletin

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS ■ SPRING 2003

## Board Election Set for This Fall

This year, three of the 12 Teachers' Retirement Board members will be elected by the active membership. CalSTRS will be holding elections from October 1, 2003, through December 15, 2003, for the following board seats:



**Elected board member:** A K–12 or County Office of Education employee who is an active CalSTRS Defined Benefit member or Cash Balance Benefit participant. This person cannot be an administrator.

**Elected by:** All K–12 and COE employees who are active CalSTRS members or participants.

**Elected board member:** A K–12 or County Office of Education employee who is an active CalSTRS member or participant, including administrators.

**Elected by:** All K–12 and COE employees who are active members of the CalSTRS DB Program. Current participants of the CB Program are excluded from voting, but pending legislation would make them eligible to vote.

**Elected board member:** Community college instructor who is an active DB member or CB participant.

**Elected by:** Active CalSTRS DB members and CB participants who are community college faculty.

## The Election

All active CalSTRS DB members and CB Benefit participants will be mailed a ballot on October 1. The ballots will be sent to your home. You will have until December 1 to return your ballot to CalSTRS. If you're planning a move between now and October, make sure you remember to notify your employer of your new address.

## Board Members Responsibilities

The Teachers' Retirement Board sets policy and makes rules for the California State Teachers' Retirement System and is responsible for ensuring that benefits are paid by CalSTRS in accordance with law.

## Ten Facts to Know About CalSTRS DB Benefits

**1.** DB is a defined benefit program.

This means that your benefit is payable for life and that your monthly retirement is not dependent on the amount of funds in your retirement account. The actual contribution you and your employer make to your DB account, along with the interest the account earns, is commonly paid to you as a monthly allowance within several years after you retire. However, unlike a defined contribution plan, which is dependent on financial markets and contributions, your defined benefit is a set amount that continues over your lifetime (and, if you choose, over the lifetime of another person or persons).

**2.** You have a DBS account.

Your Defined Benefit Supplement account is a retirement benefit above and beyond your CalSTRS DB benefit. DBS will provide you additional funds when you retire.



# CEO Notes

By Jack Ehnes, Chief Executive Officer

## CalSTRS Presses for Corporate Governance Changes and Prepares for New Board Election

CalSTRS has been keeping you updated this past year on a variety of corporate governance initiatives that we have undertaken. We have sounded our message in political halls, boardrooms and courtrooms. We have advocated in Washington as Congress debated the Sarbanes-Oxley legislation that brings dramatic new standards to the corporate boardrooms and accounting profession. We have pressed the SEC to adopt tough regulations to rein in the lax business practices found among what we all believed were “blue chip” companies. We have met individually with corporate leaders to understand why certain companies consistently underperform and why they fail to take effective corrective action.

Further, in cases that are most egregious, we have begun litigation to pursue both financial remedies for the system and governance reforms. For example, we have most recently initiated litigation against Qwest Communications for inflating its revenues through bogus transactions and misrepresenting its financial statements. Although the

markets remain fragile as the country edges closer to war with Iraq, we do see progress in addressing many of the causes of these corporate financial crises.

Looking back at lessons learned, the key missing pieces of the puzzle are the talent, integrity and values of those who govern these corporations. These are corporate leaders who failed to fulfill their duties to their shareholders, both the large institutional investors such as CalSTRS and the small investors who are average citizens.

Going forward we will see a change in the rules corporate leaders must follow and increased scrutiny of their behavior. Do they bring the necessary talent to the board to understand the complexities of the business? Do they carry the independence required to ensure their decisions are not tainted by current or past business relationships? Are they able to make the necessary commitment as board members to spend the time required to fully discharge their duties to shareholders?

These and other questions will be sharply posed to potential corporate board members, as the public demands higher standards of

duty and performance. If stronger board members do not emerge through these new standards, expect to see institutional investors start promoting their own candidates for corporate boards.

When thinking about the importance of being a good steward as a board member, we need to look no further than the changes occurring at CalSTRS. With the passage of SB 1580, CalSTRS will be entering a new era. For the first time, CalSTRS members will elect board trustees.

In this issue of the *Bulletin*, we have provided you with an early look at the election process. We will continue to provide more information in future issues of this newsletter and on our Web site.

CalSTRS will continue to advocate for greater transparency within corporate America. We also recognize those same principles apply just as strongly to us here at CalSTRS. Our board members have the highest fiduciary duty to solely represent the interests of all members. This means they must set aside other hats and act prudently and with singular focus on you—the membership.

• continued on page 3

## CEO *continued from page 2*

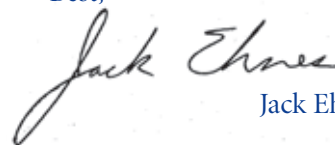
Being a CalSTRS board trustee is both an extremely rewarding and demanding position. The preparation, education and continual study to be a trustee of the board require enormous dedication. You are probably aware that **CalSTRS is the largest teachers' retirement fund in the world and CalSTRS board members have both the opportunity and responsibility to ensure**

**the financial future of more than 715,000 members and benefit recipients.** Our board sets the policy for guiding this system through the investment storms, political challenges and legal strains. As staff to the system, we know that having the highly focused and dedicated board we have today makes an incredible difference.

We hope you will take time to read through the *Bulletin* and

understand the changes in board governance that will occur over the next year. We also want to assure you that unlike the crises in the corporate boardrooms, CalSTRS will move forward with deliberate and thoughtful change that continues to support your retirement.

Best,



Jack Ehnes

# Changes Occur to Teachers' Retirement Board

## Marty Mathiesen Leaves Board

Marty Mathiesen left the Teachers' Retirement Board last November. Appointed by former Governor Pete Wilson in 1999 and reappointed by Governor Gray Davis in 2001, Marty represented CalSTRS retired members. A former teacher, coach and administrator at Cupertino High School until his retirement in 1973, Marty sat on the board during the time when many important benefit enhancements were enacted including the purchasing power protection for those retired members most affected by inflation.

"Marty is a true friend and advocate for CalSTRS members and retired members," said Gary Lynes, board chairperson. "His dedicated efforts on behalf of CalSTRS members were greatly appreciated and will be sorely missed."

## Board Member George Fenimore's Term Ends

George Fenimore also left the board when his term ended in October. Appointed by Governor Pete Wilson in 1993 to represent the general public and reappointed in 1998 by Governor Wilson, George is a past commissioner with the Fair Political Practices Commission and a board director for the John Douglas French Alzheimer's Foundation. He has been recognized by the YMCA, the Chamber of Commerce and the city of Beverly Hills for his many community service accomplishments.

"Those of us on the board will miss George's extensive knowledge, outstanding leadership and steady guidance," said chairperson Gary Lynes.

## Three New Ex-Officio Members Join Board



Steve Westly



Jack O'Connell



Steve Peace

In January 2003, three new ex-officio members joined the board. Newly elected State Controller Steve Westly and State Superintendent of Public Instruction Jack O'Connell will serve on the board by virtue of their offices. Term limits meant neither incumbent could run again; therefore, former State Controller Kathleen Connell and former Superintendent of Public Instruction Delaine Eastin left the board in early January.

Former Department of Finance Director B. Timothy Gage also left the board in January. Replacing him is Department of Finance Director Steve Peace.

## Ten Facts *continued from page 1*

With DBS,  $\frac{1}{4}$  of your CalSTRS contribution is allocated to a separate account. Members started accumulating funds in their DBS accounts in January 2010. This re-allocation will continue through December 2011; however, the accounts will continue to earn interest until you retire. Additionally, you and your employer's contributions from service in excess of one school year will be allocated to your DBS account each year. Your DBS account balance is shown on your annual statement of account.

**3.** You can make a pre-retirement election of an option when you first become eligible to retire.

This ensures that if you die before you retire, your option beneficiary will receive a lifetime benefit. Active members and those receiving a disability allowance are eligible to make a pre-retirement election of an option at age 55, or at age 50 with 30 years of service credit.

There are pros and cons to electing an option before you retire. For more information, call 800-228-5453 and listen to Teletalk message #301.

**4.** You should not wait until all your benefits are exhausted before applying for disability benefits.

You can file an application while you are working or receiving sick leave or differential pay benefits from your employer. You can also file an application while you are not working if you meet certain conditions. Request a *Member Handbook* for more specific information.

**5.** If you are receiving a disability allowance under Coverage A, you must apply for a service retirement benefit before your 60<sup>th</sup> birthday (ideally six months before) to continue receiving your monthly benefit from CalSTRS unless you have eligible dependant children.

**6.** Extra service that you perform is creditable to you, but not necessarily as service credit.

You cannot be credited with more than one year of service credit in a single school year. If you earn more than one year of service credit, contributions from pay for the extra service are credited to your DBS account. (See #2 for information about DBS.) The pay you receive for extra service that is credited to your DBS account is not included in determining your monthly DB benefit.

If you are earning less than one year of service credit, the extra duties will count as service credit.

**7.** There are two types of beneficiaries in the DB Program—an option beneficiary and a designated beneficiary.

Your option beneficiary is the person (or persons) you can choose to receive a portion of your lifetime retirement benefit in exchange for a reduced monthly benefit.

Your designated beneficiary is the person (or persons) who would receive the lump-sum death benefit payable upon your death. Make sure your designated form on file is kept current, especially if you divorce or remarry.

Your option beneficiary and designated beneficiary do not have to be the same person, but can be. The choice is yours.

**8.** When you retire you can receive part of your retirement benefit in a lump sum. In exchange, your monthly benefit is permanently reduced.

The lump-sum payment can be up to 15 percent of the lifetime value of your retirement allowance. See the partial lump-sum calculator on the CalSTRS Web site under calculators to get an idea of the amount you could receive.

With Partial Lump Sum, you must be at least age 60 and 3 months within the month your retirement is effective. If you have 30 or more years of service credit you can participate at age 60. You must request the Partial Lump Sum before you retire.

These programs are available to all school employees:

**9.** CalSTRS has a 403(b) program called the Voluntary Investment Program. VIP offers a variety of investment choices and services that allows all school employees to save for retirement tax deferred. VIP also offers low administrative costs, 12 core mutual funds with no surrender charges or load fees and financial advice at no extra cost.

See page 8 for more details.

**10.** CalSTRS offers a home loan program to all its members.

CalSTRS members and other school employees can participate in a variety of mortgage loan programs, including conventional 30 or 15 year fixed rate programs, CalSTRS No Points, No Fees Program, the CalSTRS/CHLIF Zero Down Preferred Program and the CalSTRS/CaHLIF 80-17 Program. See the CalSTRS Web site for a list of approved lenders and details.

# Answer Redeposit Cost Questions Online

**C**alSTRS' redeposit calculator is online. Use the redeposit calculator to estimate the cost to buy all or a portion of the service credit given up when you withdrew your CalSTRS retirement funds.

You can redeposit if you return to CalSTRS membership or are a member of certain other California public retirement systems. You can choose to purchase a portion, rather than all, of the service credit represented by the refund you received. In addition, you can also buy back all or a portion of the service credit for contributions withdrawn by your former spouse as part of a community property settlement.

To use the online calculator, go to the calculators link from the homepage at [www.calstrs.ca.gov](http://www.calstrs.ca.gov). Enter the date you would like to start your redeposit, the number of redeposits you've received and the refunded amount or amounts. The calculator will show you the total amount of service credit you can buy and the estimated cost to redeposit.

## How the Cost is Figured

The cost to redeposit depends on how much service credit you want to purchase and, since interest must be paid, the length of time between the refund and the redeposit. Interest is added to reimburse CalSTRS for lost



contributions, interest and investment income that would cover the full cost of the benefit.

## How to Start a Purchase

If you decide you'd like to redeposit, use the *Purchase of Permissive or Nonqualified Service Credit or Redeposit* form available by calling CalSTRS (800-228-5453, choose option 3) or online. After you send the completed form to CalSTRS and your eligibility for the redeposit is verified, you will receive a billing statement listing the amount due. Please do not send money to CalSTRS until you have received a billing statement.

Estimate the cost to finance your purchase of service credit or redeposit by using the new finance calculators also available on the CalSTRS Web site. You can estimate the cost to make a purchase either by cash payments or payroll deduction. Go to [www.calstrs.ca.gov](http://www.calstrs.ca.gov) and click on the calculators link to get started.

## Election *continued from page 1*

The board appoints a Chief Executive Officer who is responsible for the administration of the System according to the Board's policies and rules. The board also appoints a Chief Investment Officer who is responsible for the investment of the Teachers' Retirement Fund, in keeping with board policy.

The board has six standing committees: Benefits and Services, Budgets and Audits, Executive Compensation, Governance, Health Benefits and Investment (a committee of the whole).

## Candidate Requirements

For candidate requirements see the notice of election on page 6.

## For More Information

If you are interested in running for a board seat, contact CalSTRS at 916-229-3945 for an election packet or download a packet from the CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov).

The Fall *Bulletin*, scheduled for mailing in October 2003, and the Web site will have more details about voting in the election.



# NOTICE OF ELECTION

## Active Member Elections to the Teachers' Retirement Board

Active members of the Defined Benefit (DB) Program and active participants of the Cash Balance (CB) Benefit Program of the California State Teachers' Retirement System (CalSTRS) are eligible to elect three representatives to the Teachers' Retirement Board. Two of these elected members of the Board will represent active DB members and active CB Benefit Program participants employed in K-12 school districts and County Offices of Education, and one member will represent active DB members and active CB Benefit Program participants employed by community college districts. A plurality of votes cast will determine the winner of each election contest, with the term of office for each elected Board member beginning January 1, 2004, and ending January 1, 2008.

### PROCEDURES FOR BECOMING A CANDIDATE

**Eligibility**— A member of the DB Program or participant of the CB Benefit Program shall qualify for nomination as a candidate if he or she meets the eligibility criteria and submits properly completed forms by the deadlines specified below. An eligible candidate may be nominated as a candidate for only one of the three elected positions on the Board.

Eligible candidates for the first K-12 position on the Board must be active members of the DB Program or active participants of the CB Benefit Program employed by a K-12 school district or County Office of Education.

Eligible candidates for the second K-12 position on the Board must be active members of the DB Program or active participants of the CB Benefit Program employed by a K-12 school district or County Office of Education **in a position other than administrator.**

Eligible candidates for the community college position on the Board must be active members of the DB Program or active participants of the CB Benefit Program employed as an instructor by a community college district.

**Nomination Packets**— Nomination shall be on the petition form provided by the System, signed by active members and participants. The CalSTRS Election Coordinator will provide candidate nomination packets containing a petition form, nomination certification form, and the election rules and procedures to all active members and participants who request a packet. Candidate Nomination Packets are also available on the System's Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov).

**Nomination Petition Form**— A valid Petition Form must contain original signatures of at least two hundred and fifty (250) active members of the DB Program or active participants of the CB Benefit Program who would otherwise be eligible to vote in that election. The legible printed name, year of birth, and last four numbers of the Social Security number must accompany the signature of each active member or participant signing the petition in order to verify membership against the CalSTRS database.

**Nomination Certification Form**— Each candidate must **certify** on the nomination certification form provided by the System that he or she accepts the nomination, consents to serve if elected, agrees to comply with the rules and regulations governing the conduct of Board member elections and abides by a drawing of lots by the Election Coordinator in case of a tied vote.

Candidates must return the original Petition Form and Nomination Certification Form to the CalSTRS Election Coordinator. **Only those Petition Forms and Nomination Certification Forms received in the CalSTRS headquarters by 5:00 p.m. on May 15, 2003, will be accepted.** Completed Petition Forms and Nomination Certification Forms transmitted via facsimile shall be accepted if the original completed forms are received in the headquarters office of the System within seven calendar days following the deadline.

**Candidate Statement Form**— As part of a candidate statement included in ballot materials sent to eligible voters, each candidate shall provide the following information: Name; Job Title; Employer; status as either an active member of the DB Program or active participant of the CB Benefit Program and years of service as a member or participant; a list of no more than five previous positions held; and a list of no more than five organizations to which the candidate belongs, including any positions held in those organizations. In addition, as part of the candidate statement, a candidate may provide a list of no more than ten endorsements by individuals or entities and answers to three questions specified in regulation which shall, in total, consist of no more than 200 words. **The candidate statement must be received by the Election Coordinator by the deadline indicated in the notification letter sent to qualified candidates.** Candidate statements may not be changed or withdrawn except by the Election Coordinator, who may remove any portion of the candidate's statement the candidate is unable to verify.

## VOTER ELIGIBILITY

Eligible voters in the elections are persons who were members of the DB Program and participants of the CB Benefit Program employed by a K-12 school district, county office of education, or community college district during the 2002-03 school year, between July 1, 2002, and June 30, 2003. The Election Coordinator will mail ballots and candidate statements to each eligible voter for whom CalSTRS has a valid mailing address recorded. The Election Coordinator will provide ballots and candidate statements upon request to eligible voters who do not have a valid mailing address recorded with CalSTRS.

## ELECTION SCHEDULE

DEADLINE	ACTION
May 15, 2003	Deadline for the CalSTRS receipt of the Nomination Petitions and Nomination Certifications forms.
July 1, 2003	Deadline for the CalSTRS receipt of the Candidate Statement form.
August 1, 2003	Random drawing for the order of candidate names on the ballot.
October 1, 2003	Ballots mailed directly to eligible voters. Automated voting services activated and available for eligible voters to cast their votes.
December 1, 2003	Voted ballots must be postmarked or received by CalSTRS in the postage-paid envelope on or before this date to be counted. Automated voting services deactivated.
December 10, 2003	At the location designated by CalSTRS, the sealed, signed envelopes containing the voted ballots will be opened and the ballots removed. Thereafter, the ballots will be tabulated. On December 18, 2003, the Chief Executive Officer will certify the candidates receiving a plurality of votes as having been elected.
January 1, 2004	The newly elected Board members will be seated on the Teachers' Retirement Board in accordance with Education Code Section 22200.

For answers to questions, general information, a nomination petition form or the CalSTRS Board election regulations, contact the Election Coordinator at (916) 229-3224, by E-mail at [electioncoordinator@calstrs.ca.gov](mailto:electioncoordinator@calstrs.ca.gov) or write to the Election Coordinator at the address below.

Election Coordinator  
California State Teachers' Retirement System  
P.O. Box 15275  
Sacramento, CA 95851-0275

## Long-Term Care Application Period Opens in Spring

For many people, the thought of needing long-term care seems far off. But if you ever need long-term care, you'll want to be able to afford it. Catastrophic accidents, disabilities, and age-related illnesses can happen, and conventional health plans and Medicare typically do not provide coverage. The CalPERS Long-Term Care Program can help with the costs.

Eligibility isn't limited to CalPERS members. Those eligible for CalPERS long-term care coverage include all California public employees, teachers, administrators, school employees, retired teachers, substitute teachers, and part-time and seasonal employees. Spouses, parents and parents-in-law along with siblings age 18 years and older can also apply.

The 2003 application period starts April 1, 2003, and ends June 30, 2003. For more information and to request an application kit, phone 800-266-1050 or 800-228-2244. You can also use the CalPERS Web site at [www.calpers.ca.gov/longtermcare](http://www.calpers.ca.gov/longtermcare).

## Turn Gray Skies Blue

### Get Personalized Investment Advice With VIP

What's your retirement forecast? Lately the volatility of the stock market has meant bad weather for retirement savings accounts. However, it's still important to save for retirement because, for those who take a long-term view, the clouds will part.

You can make sure sunny skies are predicted using the CalSTRS Voluntary Investment Program. VIP is the 403(b) tax-deferred retirement savings program offered by CalSTRS. By saving in VIP, you can get personalized, objective retirement investment advice either online or by telephone.

VIP's financial advice service, powered by Financial Engines, can give you

- ◆ a profile of your financial resources and retirement goals
- ◆ an understanding of the likelihood of reaching your goals given your current savings and investment strategy
- ◆ a personalized savings and investment plan
- ◆ automatic investment rebalancing every 90 days
- ◆ a quarterly progress report
- ◆ an opportunity to speak with registered investment advisors.

Be a VIP and turn your retirement skies blue. Choose among 12 core mutual funds and more than 4,000 additional mutual funds through a self-managed account. VIP has low administrative fees, the 12 core funds have no surrender charges or load fees and there is no extra charge for the financial advice service.

To join, call the CalSTRS VIP information line at 800-699-4032 and request an enrollment kit or order it online from the VIP section at [www.calstrs.ca.gov](http://www.calstrs.ca.gov). If your district doesn't currently permit you to enroll, contact us at 800-228-5453.





# Start Saving Early

**C**alSTRS members, you're lucky. Your retirement benefit is for life. For most DB members, their monthly lifetime benefit will be the foundation of their retirement. And DBS accounts will help supplement the DB benefit, providing an annuity-type benefit at retirement. Many CB participants, as well, can receive a cash payment for life.

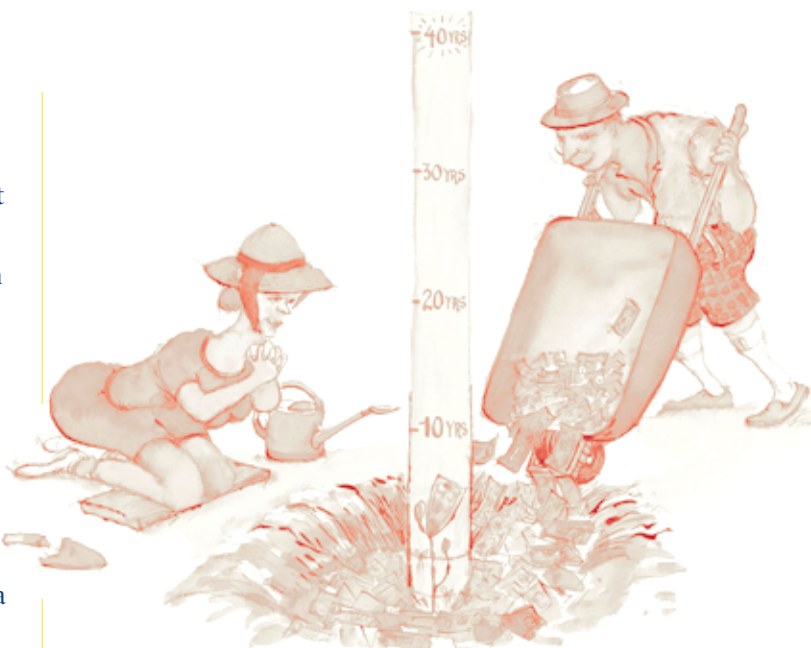
No matter which plan you have, you should ask yourself if your retirement benefit will provide you with enough income to live comfortably after you retire. One way to supplement your retirement benefit is to save in a 403(b) program. Saving in a 403(b) can help build on the foundation of your CalSTRS benefit, ensuring that your retirement years are comfortable and secure.

## Start Young

It is difficult to think about saving for retirement when you're young. The younger you are the more financial pressures you have—student loans and saving for a down payment on a house often come first. But the younger you are when you start saving, the less you'll have to worry about your future.

## Saving Matters

A 403(b) gives you the opportunity to save for retirement tax free. The important thing is to get started, no matter your age. Even a small amount set aside today can grow to a comfortable nest egg over the years. The earlier you start, the more the power of compounding can help your savings grow. But it's never too late to start. Steady, consistent savings is all it takes. A place to start is CalSTRS' Voluntary Investment Program. See page 8 for more about VIP.



## The Power of Compounding

Compounding is what happens when your interest earns interest. With compounding, start saving early and consistently, and watch your savings snowball!

Here is an example of how a consistent savings plan grows over time. Jeff and Laney each start saving \$50 a month in a 403(b) program. Jeff is 25 and Laney is 35. Both earn an overall 8 percent rate of return.

	Jeff	Laney
Savings At Age 45	\$28,633	\$9,064
Savings At Age 50	\$45,742	\$16,989
Savings At Age 55	\$70,881	\$28,633
Savings At Age 60	\$107,818	\$45,742

## The Rule of 72

*How long will it take for your savings to double?* To find out, use the Rule of 72. Divide the interest rate into the number "72." If your investment is earning 8 percent:  $72 \div 8 = 9$ .

This means it will take about 9 years to double your money if you earn an interest rate of 8 percent.



## Know How the FTE Impacts Your Service Credit Computation

**H**ow much service credit do you have? CalSTRS Defined Benefit Program members, both full and part time, become eligible for retirement benefits (called vesting) after they have earned five years of service credit. Since part-timers earn less than one year of service credit in a school year, it takes more than five years to become eligible for retirement benefits. It's important to understand how your service credit is calculated so you can ensure you are receiving the correct amount of service credit.

### How Service Credit is Calculated for Part-timers

When you work part time, CalSTRS calculates your service credit by comparing the compensation you earn to compensation paid to a person working the full-time equivalent in that position, or FTE. The FTE is the number of hours a part-time employee would be required to work in a school year if he or she was working full time in that position.

### Here are the minimum standards for the FTE

#### *K–12 and Adult Education Teachers*

175 days or 1050 hours

#### *Part-time Community College Instructors*

525 instructional hours, plus office hours if paid

#### *Community College Adult Education*

875 instructional hours, plus office hours if paid

### An Example

Joan is hired to work as a community college instructor teaching nine units or 315 hours per year. Joan is paid \$50 an hour. The college has determined that the FTE is 525 hours.

Compensation	FTE	% of Full Time Earned in a School Year	Service Credit
\$15,750 ÷	26,250 =	60	.6

If Joan continues teaching 60 percent of full time, she will become vested in DB in 8.33 years.

$$5 \div .6 = 8.33 \text{ years}$$

### Check Your FTE and Service Credit Computation

Individual school districts can establish different FTE standards, but they must be at least equal to the minimum standards set by law. The FTE must be specifically identified either in your collective bargaining agreement or your employment agreement.

It's a good idea to check your school district's FTE standards against your working hours to make sure that your school district is computing your compensation earnable correctly. Also, check your CalSTRS annual statement each year to make sure you have received the correct amount of service credit. Your annual statement is mailed to you by the end of each calendar year.

If you have questions about the FTE, please see your employer. If you have questions about your service credit computation, contact CalSTRS by phone at 800-228-5453 or by e-mail at [www.calstrs.ca.gov](http://www.calstrs.ca.gov) (click *Contact CalSTRS*).

# Study Looks at Thousands of Futures

The Teachers' Retirement Board is currently conducting a liability and assets study to prepare for the future. This study is a tool to help the board decide if the investment plan is appropriate for likely economic environments and anticipated benefit payments.

By the time the study is completed in about eight months, thousands of scenarios will have been run through a computer model. The model compares the future income stream and the long-term financial needs of the system. The scenarios depict a wide range of financial markets, from a depression to boom times similar to the stock market in the 1990s.

The board received preliminary study findings on February 5, which were the first step in a lengthy pro-



cess. That process includes several more studies with different economic and actuarial scenarios. Once completed, the liability and assets study will be a valuable tool for the Teachers' Retirement Board as it makes policy and investment management decisions.

It is important to remember that CalSTRS benefits are guaranteed and will never be affected by the investment portfolio performance. However, as a careful investment manager, the board believes the study is responsible action that will further strengthen the system's ability to meet the retirement needs of the CalSTRS members.



**Why does staff ask for your Social Security number whenever you contact CalSTRS?** It's because with more than 715,000 members and benefit recipients, there are many of you with the same name.

For example, there are 74 Robert Smiths, 55 Maria Garcias and 47 James Johnsons who are members of CalSTRS. So while you're much more than a number to us, computers aren't all that

## Number, Please

socially minded. Your privacy is important, as is assuring that the right information is given to the right person.

Because of this, CalSTRS staff asks you for your Social Security number when you call, and all CalSTRS forms provide a space for your number. It's also important that when you write to CalSTRS, you include your Social Security number. That way your inquiry can be handled more quickly and accurately.

CalSTRS takes every precaution to protect your Social Security number. Your Social Security number is not on any correspondence to you. And of course, we never share your number with anyone.

# Program Lets You Work Part-Time for Full-Time Credit

**W**ould you like to work fewer hours in the last few years before your retirement and still earn full-time service credit? Even if it meant your CalSTRS payroll contribution would still be based on your full-time pay (but then so would your employer's)?

The CalSTRS Reduced Workload Program allows you to receive full-time service credit while working part time for up to ten years, normally the last ten years before retirement. You must work a minimum of 50 percent of full time to qualify. The program is voluntary for both you and your employer; to participate, you must negotiate your work hours and other details with your employer.

To participate, you must:

- be age 55 or older
- have been employed full time for a minimum of 10 years performing creditable service and
- have been employed full time performing creditable service five consecutive years immediately before entering the program

At the time of retirement, your allowance will be calculated as though you continued to work full time, including determination of your final compensation. Both member and employer contributions are paid on

the full-time earnable salary rather than the actual part-time salary earned while participating in the program. This means that both you and your employer will pay a higher contribution toward your retirement.

## You Must Work at Least 50 percent of Full Time

The consequences of failing to work at least 50 percent as required by the program can be significant. Service credit for the year will be calculated on actual time worked.

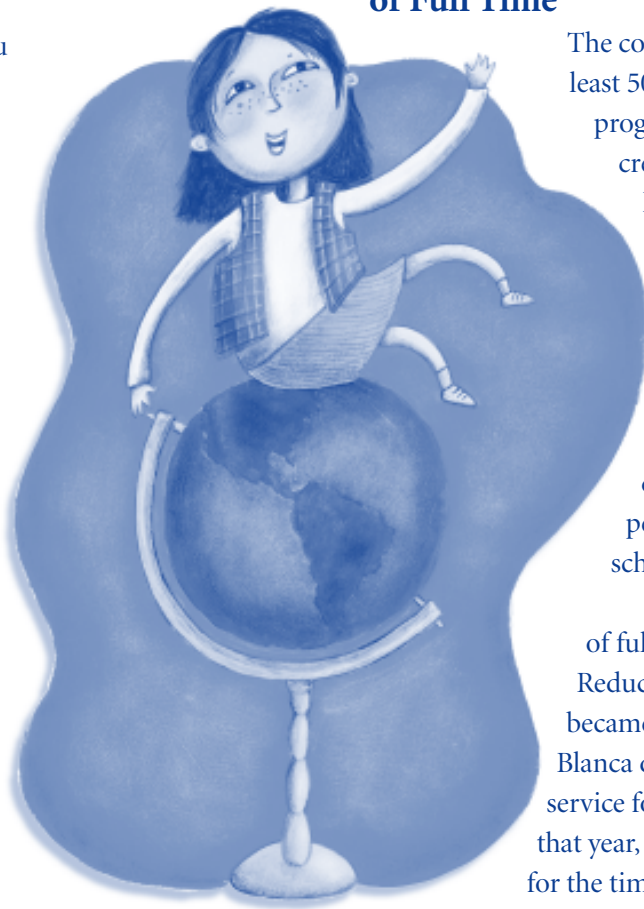
Retiring before the end of the school year can also impact program participants.

Failure to work at least 50 percent occurs if the member does not earn creditable compensation for at least 50 percent of full time in any one school year. For example:

Blanca is employed 50 percent of full time and participating in the Reduced Workload Program. She becomes ill and runs out of sick leave. Blanca does not perform creditable service for at least 50 percent of full time that year, so she earns service credit only for the time she works.

### *If you are interested in the CalSTRS*

**Reduced Workload Program**, please contact your district office for more details. The program is voluntary; employer and employee negotiate the work hours and other details. After reviewing your personal qualifications with your employer, if you want to participate in the program, you will need to sign a contractual agreement.





# 2003–2004 Legislative Session Begins

The 2003–2004 legislative session started in January. This is first year of the two-year session. If passed, the bills would become effective January 1, 2004. Here is a summary of the bills affecting CalSTRS benefits that have been introduced so far.

## **AB 91 (Dutton)**

Extends existing DB benefits to survivor spouses who were married for less than 12 months, if the member's death was accidental.

## **AB 106 (Corbett)**

Extends existing DB benefits to survivor spouses who were married for less than 12 months, if the member's death was due to an injury or illness.

## **AB 265 (Mullin)**

Defines final compensation for all members of the Defined Benefit Program as the highest average annual compensation earnable by the member during 12 consecutive months.

## **AB 1586 (Assembly PE&R)**

On July 1, 1996, the definition of creditable compensation and full time was amended for purposes of calculating retirement benefits for part-time community college members of the CalSTRS Defined Benefit Program. For DB members

employed on a part-time basis by community colleges before July 1, 1996, this bill allows use of the previous definition, if that definition will increase the compensation earnable or otherwise enhance the benefits of the member. Additionally, this bill permits part-time classified employees of community college districts, who are excluded from mandatory membership in CalPERS, to elect participation in the CalSTRS Cash Balance Benefit Program, if their employing district offers it as an alternative to Social Security.

## **SB 102 (Burton)**

Would allow up to 36 days of unused sick leave to count in the calculation of credited service to qualify for DB benefit enhancements such as longevity bonuses, enhanced age factor and use of highest one-year salary as the final compensation component in the retirement benefit calculation after 25 years of service.



## **SB 147 (Torlakson)**

Requires the Teachers' Retirement Board to establish and administer a Health Security Account Program for retired members and members who have reached the normal retirement age. The program will provide reimbursements for covered medical expenses to eligible members whose employers elected participation in the program; reimbursements will come from funds accumulated in the member's Health Security Account through employer contributions.

The Legislature and the Governor from time to time make statutory changes that may affect your CalSTRS benefits—and that may affect any decision by you concerning your career or retirement. CalSTRS makes every effort to provide adequate information when going to print, but legislation can undergo rapid change.

To stay informed about any possible changes, you should consult as many sources as possible including the California State Legislative Counsel Web site ([www.leginfo.ca.gov](http://www.leginfo.ca.gov)), the CalSTRS Web site ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)), the CalSTRS Public Service Office (800-228-5453), CalSTRS retirement counselors or your union and elected legislative representatives.



# Congress Continues to Consider Social Security Offset Changes

**B**ecause you are working in CalSTRS-covered employment, you don't pay into Social Security. Some of you, though, will earn a Social Security benefit through other employment, including your spouse's. However, if you receive a government pension from CalSTRS, any Social Security benefit could be reduced through federal law.

In the last few years, Congress has been looking at the issue of Social Security offsets. Federal legislation has been introduced over the past few years that would either lower the offsets or eliminate them entirely, but so far no legislation has been passed.

In the 2002 legislative session, several measures were considered by Congress to reform the Social Security

offsets. For instance, S. 1523 and H.R. 2628 would have repealed the offset provisions entirely. Although Congress did not act on these proposals last year, the issue itself is very much on people's minds. In fact, this year Congress has introduced S. 349, which would repeal the government pension offset and windfall elimination provisions.

CalSTRS will continue to monitor federal legislation involving offsets and provide updates in the *Bulletin* and on the Web site.

To learn more about the Social Security Government Pension Offset and the Windfall Elimination Provision, call Social Security at 800-772-1213 or view the publications on these offsets online at [www.ssa.gov](http://www.ssa.gov).

## New Law Allows Change to Option 6 and 7 Option Beneficiary After Retirement

A new law made changes to CalSTRS Option 6 or 7, which are commonly known as the pop-up options.

Now under Options 6 and 7 if your option beneficiary dies before you do, you can name a new option beneficiary. This provision for Option 6 and 7 is now consistent with the provisions under Options 2 through 5.

The option beneficiary change will take place six months after your request is received by CalSTRS. At the end of the six-month waiting period, your monthly allowance will be reduced to reflect your age and the age of your new option beneficiary. If either you or your new option beneficiary dies during the six-month



waiting period, the request will not take effect.

Previously, under Options 6 and 7, if your option beneficiary died before you, your allowance was increased to the unmodified level, but you were not allowed to name another option beneficiary. The new law did not change the fact that if you outlive your option beneficiary, your allowance will still increase to the unmodified level upon the death of your beneficiary.

To change your option beneficiary, you'll need to fill out the *Change of Option Beneficiary After Retirement Due to Death* form. Call CalSTRS at 800-228-5453 and select #3 to have the form mailed to you.

# BULLETIN BOARD

## **E-Service is Coming to CalSTRS**

CalSTRS is gearing up to provide additional services on its Web site. Starting this summer, members will be able to view their most recent annual statements online, and retired members and benefit recipients will be able to view their most recent 1099Rs. Access will be confidential and secure.

This is the first step in an effort to bring you more comprehensive service with just the touch of your fingers. Future CalSTRS' plans include providing forms that you can fill out online and much, much more. Look for future news in the *Bulletin* and on the Web site as new features are added.

## **45 or Older? Estimate Letter Coming in Spring**

Defined Benefit members age 45 or older will receive a letter from CalSTRS this spring that estimates your future retirement benefit. The letter will let you know how much you may qualify for if all factors such as your pay rate and working hours remain the same. Be on the lookout for this important information, which will help you determine if you're on track for your future retirement.

No matter your age, you can estimate your future retirement benefit using the retirement calculator on the Web—go to [www.calstrs.ca.gov](http://www.calstrs.ca.gov) and try different scenarios to pick the best retirement date for you!



## **CalSTRS Financial Education Workshops**

### **Spring Schedule**

Are you planning to retire in the next 10 to 15 years? If so, the CalSTRS Financial Education Workshops provide information that will help you plan now for a successful retirement. The half-day workshop addresses financial issues of particular importance to you as an educator. The workshop covers CalSTRS benefits, including how the CalSTRS monthly retirement allowance is calculated, Social Security provisions affecting CalSTRS members and spouses and how to develop a personal financial plan to meet your goals.

Check the schedule below for the workshop nearest you. You may register online. Go to the Financial Education page on the CalSTRS Web site or call 888-394-2060 to speak to a registration technician. Check the Web site or call the registration line from time to time for more workshops in your area.

**March 29—Stockton**

**April 5—Downey**

**April 12—Modesto, Camarillo**

**May 3—Costa Mesa**

**May 10—Fresno**

**May 17—Downey, Fairfield, Redding**

**May 31—Anaheim**

**June 7—San Jose**



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## How to Reach Us



### Write CalSTRS

California State Teachers'  
Retirement System  
P.O. Box 15275  
Sacramento CA, 95851-0275



### Phone the CalSTRS Call Center

800-228-5453  
916-229-3870  
916-229-3541 for TTY for hearing  
impaired person.



### Fax CalSTRS

916-229-3979



### Browse the CalSTRS Web site

[www.calstrs.ca.gov](http://www.calstrs.ca.gov)

When contacting CalSTRS, be sure to  
include your Social Security number.



### The CalSTRS Mission Statement

Securing the financial future and sustaining the trust of  
California's educators.

### State of California

Gray Davis, Governor  
Aileen Adams, Secretary, State and Consumer  
Services Agency

### Teachers' Retirement Board

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Linda Riley, Editor

Statements in this publication are general and the Teachers'  
Retirement Law is complex and specific. If a conflict arises  
between information contained in this publication and the law,  
any decisions will be based on the law and not on this  
publication.

The *Bulletin* is published twice a year for active and inactive  
members of the Defined Benefit Program and participants in  
the Cash Balance Benefit Program of the California State  
Teachers' Retirement System. Comments or suggestions may be  
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